

CITY OF FERGUSON

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
AUGUST 1, 2014 THROUGH JULY 31, 2015**

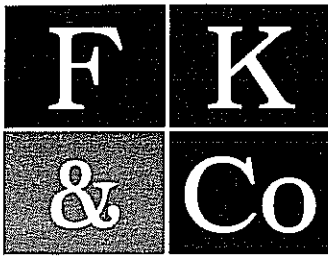
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City of Ferguson

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dale Thompson	Mayor	Jan 2016
Michael Good	Council Member	Jan 2016
Charles McKay	Council Member	Jan 2016
Richard Burchard	Council Member	Jan 2016
Mark Dolash	Council Member	Jan 2016
Glenda Thompson	Council Member	Jan 2016
Charles Finders	City Clerk	Indefinite



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide minimum oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Ferguson for the period August 1, 2014 through July 31, 2015. The City of Ferguson's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.

8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Ferguson, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Ferguson and other parties to whom the City of Ferguson may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Ferguson during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Faller, Kincheloe & Co, PLC

November 17, 2015

CITY OF FERGUSON

DETAILED RECOMMENDATIONS

For the period August 1, 2014 through July 31, 2015

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Investing – recordkeeping, investing, custody or investments and reconciling earnings.
3. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
4. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
5. Debt – recordkeeping, compliance and debt payment processing.
6. Payroll – recordkeeping, preparation and distribution.
7. Financial reporting – preparing and reconciling.
8. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) City Council Minutes – The following were identified:

- City Council meeting agendas were not posted as required by Chapter 21.4 of the Code of Iowa.
- Chapter 372.13(6) of the Code of Iowa requires the posting of the City Council minutes to include the total disbursements from each city fund, a summary of all receipts and the reason for the claims. We noted that this requirement was not met by the City for all four meetings tested.

Recommendation – The City should comply with Chapters 21.4 and 372.13(6) of the Code of Iowa. In addition, the City should ensure all minutes and agendas are posted and that the posting of the City Council minutes include total disbursements from each city fund, a summary of all receipts and the reason for the claims, as required.

CITY OF FERGUSON

DETAILED RECOMMENDATIONS

For the period August 1, 2014 through July 31, 2015

- (C) Clerk's Report – The City Council does not review the Clerk's report on a monthly basis. The Clerk's report does not include a budget vs actual comparison.

Recommendation – To improve financial accountability, the Clerk's report should be reviewed by the City Council at each monthly meeting. Also, the City should establish procedures to ensure the monthly Clerk's reports include a budget vs actual comparison.

- (D) Official Depositories – A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required.

- (E) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the business type activities function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation." Also, the budget was not passed by resolution as required by Chapter 384.16 of the Code of Iowa.

Recommendation – The budget should have been approved by resolution as required by Chapter 384.16 of the Code of Iowa, and the budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa.

- (F) Debt Service – The general obligation note payments were recorded in the General Fund rather than the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa.

Recommendation – General obligation note payments should be recorded in the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa.

- (G) Investment Policy – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

CITY OF FERGUSON

DETAILED RECOMMENDATIONS

For the period August 1, 2014 through July 31, 2015

- (H) Bank Reconciliations – There was no evidence the cash balances in the City's general ledger were reconciled to bank account balances throughout the year.

Recommendation – The City should establish procedures to ensure bank account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely.

- (I) Payroll – The following were identified:

- Payroll taxes and IPERS withholdings are not being calculated properly and deducted from the employees' paychecks.
- IRS Forms 941 reported the incorrect amount of wages subject to federal withholding.
- The City did not prepare any IRS Forms 1099 for the year ended December 31, 2014. We noted that the City should have issued a Form 1099.

Recommendation – The City should calculate each employee's payroll accurately and in compliance with the Internal Revenue Service. In addition, the City should ensure future IRS payroll tax forms are calculated and filed properly.

Also the City should file IRS Forms 1099 when applicable.

- (J) Chart of Accounts – The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation – To provide better financial information and control, the COA, or its equivalent, should be followed.

CITY OF FERGUSON

DETAILED RECOMMENDATIONS

For the period August 1, 2014 through July 31, 2015

(K) Employment – During the year, the Mayor was paid \$250 for street maintenance.

In accordance with Chapter 372.13(8) of the Code of Iowa, an elected city officer is not entitled to receive any other compensation for any other city office or city employment during that officer's tenure in office.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.